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AGRICULTURAL OUTLOOK DIGEST

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ECONOMIC RESEARCH SERVICE • USDA
WASHINGTON, D.C.
AOD 150

Realized net farm income in the first half of 1969 ran at an annual rate (seasonally adjusted) of around $15½ billion, about a billion dollars above a year earlier. A rate well above 1968 is likely through the second half.

Underlying the first half's improvement was a gain of over $3 billion in the annual rate of marketing receipts due to higher prices for livestock products and a slight increase in marketings of farm products generally. Government payments will also increase. However, higher prices paid by farmers will boost farm production costs by over $2 billion.

Growth in net farm income this year implies a substantial rise in net income per farm as farm numbers continue downward. The per-farm average should exceed the prior high of $5,044 in 1966, with livestock producers and the larger farmers doing better.

Also implied is some improvement this year in personal incomes of farm people compared to others. Last year, per capita disposable income (all sources) of farm people averaged 73 percent of that for the nonfarm population.

Livestock and product supplies this year have totaled about the same as last year, and little further net change is likely through 1969. In coming months, we're likely to see somewhat more fed cattle marketed, and more broilers and eggs. Less pork, veal, lamb, and milk may be in store. Farm prices for livestock products were up more than a tenth in the first half of 1969. Prices the rest of the year still will exceed 1968 levels, but perhaps by a narrower margin.

Crop prospects as of August 1 point to another record: 2 percent more total output than 1968. Oilseed output may be about the same as last year. Feed grain production may be down slightly. Food grain production is down. Noncitrus fruit output is up sharply. Cotton output may climb a tenth.

With large supplies of food grains and soybeans this year, prices of these products have been under pressure and probably will remain a little under 1968 levels.

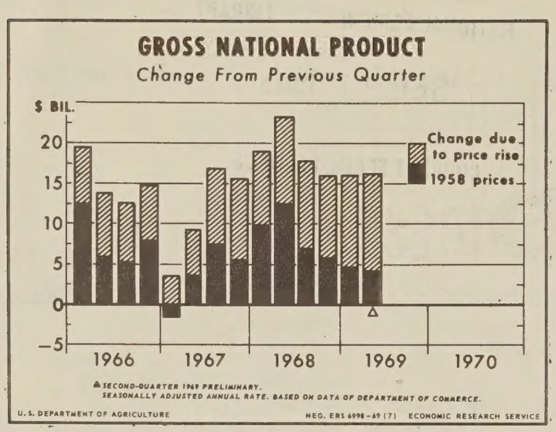
Our agricultural exports in fiscal 1968/69 dipped to $5.7 billion from $6.3 billion the year before and the record $6.8 billion 2 years ago. Most of the decline was reflected in lower Food for Peace exports. Large food grain crops in several developing countries reduced demand for aided shipments. Likely improvement for agricultural exports in 1969/70 is based primarily on expected increases for feed grains, soybeans, and cotton, and no repitition of last winter's prolonged dock strike.

Even though farm prices of major foods will likely decline seasonally this fall, retail prices may be well maintained.

Retail food prices for the year will likely exceed those of last year--when food at home advanced 3.2 percent and all food rose 3.6 percent--but trail the 5-percent gains of 1966.

Strong consumer demand has buoyed retail food prices so far this year. But marketing spreads have averaged only slightly above year-earlier levels. In the second quarter, for example, the retail cost of a market basket of domestic farm foods was up a little over 4 percent from a year earlier while the farm value was up over 9 percent. The marketing spread is likely to widen, given any easing in farm and wholesale prices.

Despite this year's higher retail prices, food spending will represent a still smaller proportion of income. Food expenditures last year totaled $99 billion, or 16.8 percent of disposable personal income. Expenditures this year may reach $103 to $104 billion. But the faster rise in income will mean that food's share will drop to around 16½ percent.



The general economy will likely remain under the influence of rising prices over the next several months. Consumer buying and business investment will be slowed as prices and costs advance and credit remains tight and expensive. Industry's earlier optimistic plans on new plant and equipment spending may be pared. Repeal of the investment tax credit would further slow investment. Large inventory buildups of the past 3 quarters must also be absorbed.

But substantial income advances are likely despite a possible rise in unemployment. Deferred wage increases, negotiated while the economy was accelerating both in real and money terms, still must be met. Social security benefits may be boosted in January, at the same time Federal income taxes are scheduled to be lowered. Federal spending will likely pick up a little. Expenditures for new residential housing may fall below early 1969 levels.

The net result may be a little less rise in the GNP. Last year's gain over 1967 averaged 9 percent. This year's might be around 7 percent. After subtracting out price effects, however, real growth may dwindle to 3 percent this year, well below 1968's average of 5 percent.

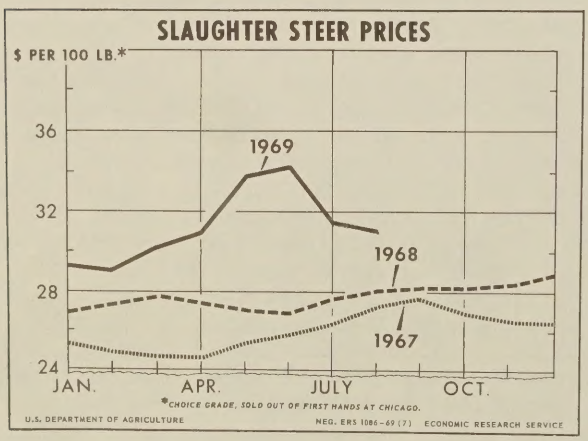
Livestock prices the rest of the year are expected to remain below early summer highs but above a year earlier. Slightly larger red meat supplies are expected, with increases in beef output more than offsetting declines in pork, veal, and lamb.

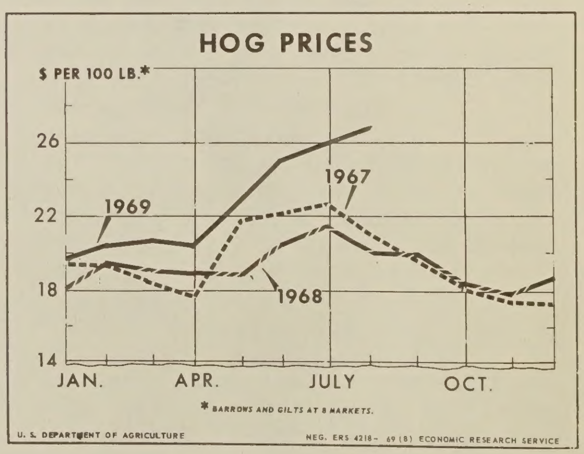
Fed cattle marketings were up 3 percent in April-June, but strong consumer demand and seasonally lower pork output helped boost fed cattle prices. After peaking in June, prices receded some in July-August. The next few months they probably will remain below June levels but above 1968.

Feeders reported plans to lift summer marketings of fed cattle by 11 percent over last summer. However, July and August marketings apparently have been up only moderately.

Still, they remain relatively large and likely will stay that way in the fall. On July 1 there were substantially more cattle on feed than a year earlier in weight groups that usually furnish the bulk of fall slaughter supplies. And on August 1, numbers of cattle on feed in 6 important States were 16 percent above a year ago. Most of the increase was in States that typically market animals at relatively light weights.

The large prospective supplies could





mean some further price decline. However, supplies of nonfed cattle are expected to continue at reduced levels and will partly offset the larger fed cattle marketings. Also, if hog slaughter in the fall is down from last year as much as indicated by the June Hogs and Pigs Report, and demand continues strong, much of the downward pressure will be taken off cattle prices.

Hog slaughter so far this summer has been running above year-earlier levels, but fall slaughter likely will be down. On June 1 there were 7 percent fewer pigs reported in weight groups that will supply fall marketings. This suggests that hog slaughter by late summer or early fall will drop below year-earlier levels.

Hog prices are running well above last summer's levels, in late August averaging a little above $27 per 100 pounds for barrows and gilts at 8 markets. Prices are expected to decline as fall slaughter picks up seasonally. But if marketings are down, as indicated, prices will remain well above year-earlier levels despite larger supplies of beef and poultry.

Choice slaughter lambs at San Angelo in late August averaged $28.25 per 100 pounds. This was $3.50 below the April peak but $5.25 above a year earlier. These higher 1969 prices reflected reduced slaughter. For the rest of 1969, lamb slaughter will continue below a year ago and prices above. With the 1969 lamb crop down 6 percent, some further liquidation of the inventory is likely occurring.

Trends of the Decade of the Sixties

Item	Unit or base period	1960	1969 1/	Decade high		Decade low		Average annual change	Total change for decade
				Year	Annual rate or ratio	Year	Annual rate or ratio		
								---Percent---	
Population, July 1....	Mil.	180.7	203.4	1969	203.4	1960	180.7	+1.4	+12.6
Total civilian employment.................	Mil.	65.8	77.8	1969	77.8	1961	65.7	+2.0	+18.2
Agriculture.........	Mil.	5.5	3.8	1960	5.5	1969	3.8	-3.4	-30.9
Unemployment rate.....	Pct.	5.5	2/3.4	1961	6.7	1969	3.4	---	---
Gross national product	Bil. dol.	503.7	2/916.9	1969	916.9	1960	503.7	+9.1	+82.0
Disposable personal income...............	Bil. dol.	350.0	2/616.8	1969	616.8	1960	350.0	+8.5	+76.2
Share spent for food	Pct.	20.0	16.5	1960	20.0	1969	16.5	---	---
Wholesale price index, all commodities......	1957-59=100	100.7	2/111.9	1969	111.9	1963	100.3	+1.2	+11.1
Consumer price index, all items............	do	103.1	2/125.8	1969	125.8	1960	103.1	+2.4	+22.0
Food................	do	101.4	124.5	1969	124.5	1960	101.4	+2.5	+22.8
Cash receipts from farm marketings......	Bil. dol.	34.2	3/47.1	1969	47.1	1960	34.2	+4.2	+37.7
Farm production expenses...............	Bil. dol.	26.4	3/38.4	1969	38.4	1960	26.4	+5.1	+45.5
Realized net farm income..................	Bil. dol.	11.7	3/15.6	1966	16.3	1960	11.7	+3.7	+33.3
Prices received by farmers..............	1957-59=100	99	2/113	1969	113	1964	98	+1.6	+14.1
Prices paid by farmers	do	102	2/126	1969	126	1960	102	+2.6	+23.5
Agricultural exports 4/	Mil. dol.	4,517	5,740	1966	6,771	1960	4,517	+3.0	+27.1
Agricultural imports 4/	Mil. dol.	4,010	4,900	1969	4,900	1961	3,645	+2.5	+22.2

1/ Estimated.
2/ January-June average.
3/ Seasonally adjusted annual rate, first half of 1969.
4/ Year ended June 30.

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U.S. shorn wool output this year will be down about 6 percent from 1968, to about 167 million pounds, grease basis. Numbers of sheep shorn this year are down an estimated 5 percent; fleece weights are down slightly. Wool output has declined annually since 1961. With a decline in output and only slight price improvement, the farm value of production this year will run below the $72 million of 1968.

A decline in domestic use of apparel wool is likely this year, despite continued relatively low prices of raw wool and further increases in consumer incomes. In January-May, for example, mills decreased their consumption of raw apparel wool by 5 percent, partly because of higher prices of wool textiles and greater use of man-made fibers.

Feed grain disappearance in 1969/70 likely will exceed the 168 million tons estimated for 1968/69. Disappearance at this level would also exceed the prospective 1969 feed grain crop--forecast in August at 167 million tons. This would point to some reduction in carryover stocks from the beginning volume estimated at 48 million tons.

Domestic use will likely remain heavy. It may about equal the 1968/69 record high of 151 million tons, up nearly 7 percent from a year earlier. Grain-consuming livestock may be up by 2 or 3 percent. But livestock-feed price ratios probably will be less favorable than last year and the feeding rate probably will be lower. Exports may show some improvement from the low level of 1968/69.

Prices of all feed grains rose during the 1968/69 season--led by an increase of more than 20 percent in corn prices since last fall. Feed grain prices in July averaged 9 percent above a year earlier. Although usual price weaknesses are to be expected at harvesttime, prices probably will continue higher this fall and winter than a year earlier.

The 1969 corn crop is forecast at slightly below last year's 4.4 billion bushels. The carryover October 1 will be down about 10 percent from the 1.2 billion bushels of 1968. This would give a 1969/70 supply about 3 percent below last season. Disappearance in 1969/70 probably will exceed production, resulting in another fairly tight "free" supply situation. If production is about as indicated on August 1, prices in 1969/70 probably will average a little higher than a year earlier.

Most deciduous fruits are likely to be in substantially larger supply in 1969/70 than in the past several years. Citrus supplies this summer are much larger than a year earlier. The citrus outlook beyond summer will depend largely on the size of the 1969/70 crop, which to date has developed well.

Production prospects for 7 major deciduous fruit crops are for a tonnage 11 percent above last year. The apple crop, limited the past 4 years by various weather problems, is expected to be up a fifth. Grape production might exceed the 1968 tonnage by 8 percent and be the biggest since 1965. The Nation's peach crop appears to be up 5 percent from last year and pear output is forecast 16 percent larger.